



No. 01 of 2007

January 24, 2007

Minutes of the First Executive Committee Meeting of 2007
of the
South Asian Federation of Exchanges (SAFE)

1. The first meeting of SAFE EC for the year 2007 was held at the Board room of Karachi Stock Exchange. The meeting was attended by the following SAFE EC members:

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|----------------------------|--------------------|
| 1) Mr. Rajnikant Patel | Chairman SAFE |
| 2) Mr. Ahmed Rashid | Vice Chairman SAFE |
| 3) Mr. Rewat Bahadur Karki | Member |
| 4) Mr. M. A. Lodhi | Member |
| 5) Mr. Aftab Ahmad Ch. | Secretary General |

2. The leave of absence was granted to the following EC members:

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|----------------------------|--------|
| 1) Ms. Chitra Ramakrishnan | Member |
| 2) Mrs. Surekha Sellahewa | Member |

Proceedings of the Meeting

1. The Chairman of SAFE welcomed the participants of the first EC meeting of SAFE to Karachi and thanked them for taking their time out for attending to the business of SAFE. At the outset, he also thanked the Managing Director of Karachi Stock Exchange and the Board of KSE for their hospitality and attention to details in ensuring the comfort of all foreign delegates of SAFE.

2. Thereafter, he started the formal proceeding of the meeting agenda wise.

Agenda Item # 1: To confirm the minutes of the previous meeting

1. The Chairman informed the meeting that the minutes of the last meeting of the SAFE EC which was held on 16th November 2006 at Colombo, Sri Lanka had been circulated to all EC members in advance. He invited the members for their observations on the said minutes, if any. There was no observation on the minutes by any EC member.

2. On the proposal of Mr. Ahmad Rashid, duly seconded by the Mr. M. A. Lodhi, the Chairman announced the confirmation of the minutes as presented to the EC.



Agenda Item # 2: To co-opt the Karachi Stock Exchange (KSE) Nominee

1. The Chairman invited the Secretary General SAFE to brief the EC members on the agenda item. The Secretary General EC informed the meeting that at the time of election for the new Executive Committee held on 17 November 2006, Mr. Zaffar A. Khan had been elected to the SAFE EC being a nominee of KSE, however, subsequently, the KSE Board in its recent meeting had now appointed Mr. M.A. Lodhi, the Managing Director of KSE as the fresh nominee of KSE for the year 2007 and the information thereof had been received at the SAFE Secretariat. Accordingly, he stated that the EC was supposed to co-opt the fresh nominee of KSE as a member of the Executive Committee.

2. The Chairman welcomed the nomination of Mr. M. A. Lodhi, and requested him to brief the EC about his professional background, which was duly presented by Mr. Lodhi. On a motion of Mr. Ahmad Rashid, the EC approved the co-optation of Mr. M. A. Lodhi as a nominee of KSE on the Executive Committee of SAFE. Accordingly, the EC passed the following resolution:

“Resolved that Mr. M. A. Lodhi be and is hereby co-opted as the member of the SAFE Executive Committee on the nomination of Karachi Stock Exchange.”

Agenda Item # 3: Consideration of Draft MoU for SAFE Index

1. As a background of the agenda item, the Secretary General SAFE apprised the meeting that during the last Annual General Meeting of SAFE held on November 17th, 2006 at Colombo, Sri Lanka, the General Body had approved in principle the project of the launch of the South Asian Index by SAFE in association with Dow Jones Indexes, and had also authorized the Executive Committee to enter into an agreement with DJI for the designing and launching of the said indices in the shortest possible time. He stated that the General body had also decided to circulate a draft MoU for the said purpose to all member exchanges of SAFE so as to seek the approval of the same from the Boards of all the respective exchanges. He stated that in accordance with the above decision of the General Body, the draft copies of the South Asian Index MoU, attached were sent to all member exchanges by the SAFE Secretariat on December 7th, 2006. The member Exchanges were requested to seek the necessary approvals of the same from their respective Boards and apprise SAFE Secretariat at the earliest possible. He stated that as of the date of the instant meeting, the response from the following exchanges has been received as shown against each:

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| 1) Dhaka Stock Exchange | Signed MoU received |
| 2) Karachi Stock Exchange | In-principle approval conveyed |
| 3) Maldives Stock Exchange | No objection received |
| 4) Nepal Stock Exchange | In-principle approval conveyed |
| 5) Stock Exchange of Mauritius | In-principle approval conveyed |

2. The Chairman SAFE asked the Secretary General about any other communication that he had with other member Exchanges about the approval of the MoU. To this, the Secretary General replied that almost all the remaining exchanges had informed him that the decisions of their respective exchanges shall be communicated in due course of time as the matter needed the approvals of their respective Boards. The EC members advised the SAFE Secretariat to follow up with all the remaining exchanges and advised the Secretary General to draft the final agreement with Dow Jones after receipt of feedback from the left over exchanges. At this ,the Secretary General informed the meeting that after his discussion with Dow Jones, he is of the opinion that instead of waiting for the approval of MoU from the member exchanges, a Tri-partite agreement may be designed for soliciting the formal approval from the member exchanges, on the authority of which the Joint Marketing Agreement may be signed between Dow Jones and SAFE. All EC members appreciated the idea as it would avoid double approval process required of the exchanges by the SAFE. Accordingly, the EC resolved that a draft of new Tri-partite Agreement may be prepared and sent to all exchanges for their formal approvals. After the receipt of formal approval from the exchanges, the same agreement to be signed both by SAFE and Dow Jones Indexes and all executed Tripartite Agreements to be annexed with the main Joint Marketing Agreements to be signed between DJI and SAFE. The EC also authorized the SAFE Secretariat for necessary legal expenditures in this regard

Agenda Item # 4: Approval of Joint Marketing Agreement with Dow Jones

1. On the invitation by the Chairman SAFE, the Secretary General informed the meeting that in pursuance of the General Body decision, a draft Joint Marketing Agreement (JMA) was worked out by SAFE with Dow Jones Indexes (DJI) for the purpose of initiating work on the designing and the launch of the South Asian Index. He stated that a copy of the said JMA had already been circulated amongst all the EC members along with the working paper for the instant EC meeting. He stated that the JMA was required to be signed between SAFE and Dow Jones Indexes after approval by the EC. Accordingly, he requested the Executive Committee to authorize the Chairman SAFE to execute the JMA with DJI so as to finalize the understanding between SAFE and DJI for the launch of SAFE-DJI index.

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2. Mr. Rewat B. Karki requested the Secretary General to brief the EC about the salient aspects of the draft JMA. At this, the Secretary General highlighted the following aspects of the JMA for the information of the Executive Committee:-

- Name of Index: SAFE proposed the name of Dow Jones-South Asian Index, but the same could be renamed under the mutual agreement between the Parties.
- Fees. Dow Jones shall not charge any index maintenance fee (in case of FEAS, DJI quoted a fee of USD one million for a similar index) for the designing, calculation and dissemination of the South Asian Index. However, DJI shall have the right to license the Indexes, in exchange for a fee, to third parties in connection with the issuance, marketing and promotion of certain financial products that are based on the Indexes such as;
 - Exchange traded funds
 - Open ended and closed ended funds, mutual funds and other collective investment vehicles
 - Exchange traded derivatives
 - Such other financial products as may be mutually agreed by the Parties (collectively, the “Products”)
- Dow Jones shall pay to SAFE forty percent (40%) of the fees relating to the Products received by Dow Jones for each calendar quarter less the Relevant Deductibles incurred during such calendar quarter.
- Term of Agreement. The Agreement to be effective on the Effective Date and shall continue in effect until the fifth anniversary thereof (the “Initial Term”).

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- Respective obligations.
 - SAFE shall use best efforts to cause each of the SAFE Exchanges to enter into an agreement (the “Exchange Agreement”) with Dow Jones, under which each of the SAFE Exchanges shall commit to provide the specified data to Dow Jones and to grant Dow Jones all rights necessary to calculate and disseminate the Indexes on a real-time basis, to license the Indexes to third parties as the basis of financial products and to distribute the end-of-day data and historical data via email, FTP Site, CD-Rom, market data vendors and Internet distribution.
 - Each of the SAFE Exchanges to be solely responsible for all fees and charges, if any, in connection with providing the Exchange Data to Dow Jones.
 - None of SAFE, the SAFE Exchanges or any of their respective affiliates shall issue, trade, market or promote Products or any other financial product or investment contract based on any of the Index(es) without a separate written license agreement for that purpose.
 - Neither SAFE nor any of its affiliates (each a “SAFE Restricted Party”) shall directly or indirectly market or promote independently or with a third party index provider a Competing Index. Such third parties include, without limitation, the SAFE Exchanges, Standard & Poors, Morgan Stanley & Co., Goldman Sachs & Co., Financial Times, ING Barings, International Finance Corporation, Bloomberg, or Salomon Smith Barney.
 - “Competing Index” means any price, total return or market cap index that is based on equities traded within the Territory which includes more than 50% of the constituents of any one or more of the Indexes which is the subject of this Agreement; provided, however, **the individual single country indexes published by each of the SAFE Exchanges shall not be considered a Competing Index.**

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- SAFE will dedicate a salesperson to assist Dow Jones with licensing of the Indexes in the Territory by promoting such licensing through retail, institutional and other relevant channels.
- Dow Jones shall reserve all rights to the Index, the methodology used to calculate the Indexes and the Dow Jones Marks.
- Dow Jones shall make the Indexes available to data providers and publishers for dissemination to third parties consistent with Dow Jones' then-current practices with respect to Dow Jones' other indexes.
- Any third-party license with respect to the Indexes and Dow Jones Marks shall be granted pursuant to a license agreement to be administered by Dow Jones.
- Each of the Parties shall use reasonable efforts to promote and market the Index.
- Both Dow Jones and SAFE to grant to each other a worldwide, non-transferable, non-exclusive license to use and refer to the SAFE and/or DJI Marks solely in connection with marketing and promoting the Indexes.

3. The EC members discussed the contents of the JMA in detail. Appreciating the efforts of the Secretary General for negotiating a very favorable agreement with DJI which made it possible for SAFE to avoid paying the annual maintenance fee to DJI, the Chairman stated that SAFE alone should not keep the entire 40% revenue that it would receive from DJI on licensing of the index products to third parties by DJI. Instead, he proposed that SAFE should keep only 20% of the license fee received from DJI, and the rest of the fee should be distributed on pro-rata basis amongst all data supplying exchanges calculated on the basis of number of listed securities from a particular exchange included in the Index(es) divided by the total number of listed securities included in the Index(es). He stated that in this manner, whereas SAFE would be able to recover its costs for marketing the index on the one hand, the data supplying exchanges would also be able to earn some revenue on the other hand, as data sales is one of the core income generating activity of the exchanges.

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4. All EC members supported the suggestion of the Chairman SAFE and unanimously resolved to approve the draft JMA duly incorporating the revenue sharing formula as suggested by the Chairman SAFE. The EC also passed the following resolutions accordingly:

“Resolved that draft Joint Marketing Agreement be and is hereby approved subject to the changes in the revenue sharing mechanism as proposed by the Chairman SAFE.”

“Resolved further that Chairman SAFE, Mr. Rajnikant Patel, be and is hereby authorized to execute the Joint Marketing Agreement with Dow Jones Indexes, for and on behalf of South Asian Federation of Exchanges.”

“Resolved further that Secretary General be and is hereby authorized to carry out all necessary formalities with regards to the finalization of Tripartite Agreements with the member exchanges and the execution of Joint Marketing agreement with Dow Jones Indexes.”

Agenda Item # 5: Approval of Draft Audited Accounts of SAFE for the Year 2006

1. The Chairman invited Secretary General to highlight the salient aspects of the draft audited accounts of the Federation for the year 2006. At this, the SG briefed the EC about the following highlights of the 2006 accounts of SAFE:

Income

- The total income of SAFE (USD 74,089/-) mainly comprised of annual subscription fee (USD 63,000/-), share on surplus of conference sponsorship (USD 6,125/-) and other income of USD 4,964/- in the shape of donation made by Islamabad Stock Exchange during 2006 towards the purchase of transport for SAFE officials to be used along with an earlier donation of USD 25,000/- made by ISE during 2005 (In this way, ISE made a total donation of

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USD 29,964/- as the logistical support for the SAFE Secretariat to be used for the purchase of transport and other capital goods).

- The income of USD 74,089/- for the outgoing year was 17% less than the last year income of USD 89,006/-. It may be mentioned that the income of SAFE during 2005 was mainly boosted because of special contribution/donation of USD 24,958/- by ISE for the purpose of meeting the initial setting up cost and the purchase of transport for SAFE Secretariat.

Expenditure

- On the expenditure side, the outgoing year recorded a figure of USD 59,649/- as against an expense of USD 59,965/- during the year 2005 thus showing a negligible decline of 1%.
- An exceptional increase on the expenditure side was in the head of bad debts written off which mainly related to the writing off an amount of USD 15,000/- towards the outstanding annual subscription fee of National Stock Exchange of India Limited for the years 2002 and 2003. It may be mentioned that at that time NSE had forwarded its disinterest in the membership of SAFE but no decision was taken by the then Secretariat. However, after the shifting of the secretariat to Islamabad, NSE was requested to continue its membership of SAFE but NSE has asked to review the status of the said receivable and waive off the said fee which is being treated as a write off entry in the presented accounts.
- Some of the other notable increases on the expenditure side are as follows:
 - In the head of salaries about 15% increase occurred which went up from USD11,213/- during 2005 to USD12,931/- during the outgoing year. This increase has resulted due to the hiring of needed staff for the SAFE Secretariat.
 - In the head of communications, an increase of about 18% occurred mainly due to SAFE conference related communication costs.
 - Few other increases took place in the heads of audit fee (57%), depreciation (172%) and amortization (298%) and bank charges (87%).



SAFE Conference Accounts

- The Secretary General also provided with the EC with the overall break up of the income and expenditure for the SAFE conference held in Colombo, Sri Lanka during Nov 2006. He apprised that the organization of first ever SAFE conference had resulted in a net surplus of about USD 12,250/- for the SAFE Secretariat.

2. The Chairman and EC members greatly lauded the improved financial health of the organization attained after the relocation and the establishment of permanent Secretariat of SAFE at Islamabad. The EC also recorded its appreciation for the Secretary General and Islamabad Stock Exchange for all the assistance and support rendered for the smooth functioning of the SAFE Secretariat. At the end, the EC passed the following resolutions accordingly:

“Resolved that draft audited accounts of the Federation for the year 2006, together with the accounts for First South Asian Capital Markets Conference be and are hereby approved.”

“Resolved further that Chairman and Secretary General SAFE be and are hereby authorized to sign the annual accounts for the year 2006 for and on behalf of the Federation.”

“Resolved further that the support of Islamabad Stock Exchange for its monetary donations to SAFE for the purpose of meeting the initial setting up cost and the purchase of transport for SAFE Secretariat be and is hereby greatly appreciated by the Executive Committee.”

Agenda Item # 6: Discussion on the Points proposed by Mr. Ahmad Rashid Vice chairman SAFE
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1. The Chairman informed the EC that SAFE Secretariat had received some proposals from Mr. Ahmad Rashid, the Vice Chairman of SAFE for the active role to be played by the SAFE Secretariat regarding the SAFE’s Executive training program and planning of SAFE’s activities at regular intervals by the SAFE Secretariat.



2. The Chairman then invited Mr. Ahmad Rashid to give his views on his proposals. Mr. Ahmad Rashid highlighted the need for SAFE to plan for regular activities mainly relating to the training of SAFE Executives and some other mid year activities in between the annual meetings so as to keep all SAFE members involved in SAFE affairs. In response to this, the Secretary General submitted the following for the information of the EC members:

- **SAFE Executive Training Program:** During the last few years, SAFE had been setting aside some funds for the periodical training of the Executives from the SAFE member exchanges, and had successfully organized few professional development courses for the member exchanges. During 2006, SAFE also sponsored a training program jointly with BSE Training Institute, whereby an opportunity of learning was offered to one representative from each of the SAFE member country to attend one week long course titled “International Program on Securities Market Operation” at BSE Training Institute for which a fee of USD1,500/- (after discount of USD 1,000/-) per participant was paid by SAFE. For 2007, an amount of USD 10,000/- has been earmarked towards the same purpose.
- **Planning of SAFE’s activities at regular intervals:** SAFE Secretariat has already started planning of such activities at regular interval. For the year 2007, SAFE is already working with IBA, Karachi, Pakistan to co-sponsor a conference on the Integration of Regional Markets wherein the representatives of all SAFE member exchanges are being invited by IBA as Guest speakers during the month of March 2007. During the next two quarters, SAFE shall not only be engaging in the preparation for the 2nd South Asian Capital Market Conference to be held in India but also in the planning and hosting of some sort of other activity to launch the South Asian index with some fanfare. During the last quarter, another meeting of the EC is in schedule.

3. The EC appreciated the points raised by Mr. Ahmad Rashid and desired the SAFE Secretariat to plan for the increased role of SAFE whereby all the SAFE exchanges could get an opportunity to participate in the SAFE organized events.

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Agenda Item # 7: Affiliate status of SAFE with other Exchange Associates

1. The Secretary General informed the meeting that under Article 2.2 of the recently upgraded Charter of SAFE, the Executive Committee of SAFE is allowed to grant 'Observer/Affiliate Member' status to other exchanges, capital market intermediaries, securities regulators', professional entities and other associations, regardless of their geographical location. He informed the meeting that following the adoption of new charter, SAFE Secretariat had approached some exchange bodies to obtain affiliate member status of SAFE. He stated that following the contacts by SAFE, the following organizations have indicated their interest in the award of reciprocal observer status to SAFE provided the same is done on gratis/reciprocal basis:

- World federation of exchanges (WFE)
- Asian and oceanic stock exchanges federation (AOSEF)
- Federation of European-Asian stock exchanges (FEAS)
- Federation of European Securities exchange (FESE)
- Federation Iberoamericana de Bolsas (FIAB)

2. The EC considered the matter and agreed in principle to grant 'observer/affiliate' status to the above organizations on gratis basis. The EC also decided that the matter of waiver of annual fee for such organizations shall be made on individual basis keeping in view the similar facilitation extended by such regional bodies to SAFE.

Agenda Item # 8: To consider and approve the opening of new Bank account of SAFE

1. The Secretary General apprised the meeting that SAFE had been maintaining its bank accounts with Standard Chartered Bank, Islamabad. However, he stated that the experience of banking service with the said bank had not been satisfactory. He proposed that SAFE Secretariat may be authorized to open two new bank accounts (Current and Savings accounts) with M/s Citibank or any other bank of repute.

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2. The EC considered the agenda item and resolved as under:

“Resolved that opening of new savings and current accounts of SAFE both in PKR and USD currency at Citibank branch, Islamabad or at any other reputable bank by the SAFE Secretariat in Islamabad, Pakistan, be and is hereby approved.”

“Resolved further that Mr. Aftab Ahmad Ch. (SG SAFE) and Ms. Farzin Khan (DSG SAFE), be and are hereby appointed as the joint signatories for the purpose of opening of new accounts, and their subsequent maintenance/operations. These officials are also authorized to sign all cheques and other bank related documents for and on behalf of SAFE.”

“Resolved further that Secretary General SAFE be and is hereby authorized to comply with all formalities in this regard.”

Agenda Item # 9: Next EC Meeting

1. The EC considered the agenda item and decided that next EC meeting may be held concurrently at the time of the launch of Dow Jones-SAFE.

There being no other agenda item, the meeting ended with a vote of thanks to the Chair.

Rajnikant Patel
Chairman SAFE